No. 89-1481

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

SHAT-R-SHIELD, INC.,

Petitioner,

v.

TROJAN, INC.,

Respondent.

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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The petitioner, Shat-R-Shield, Inc., submits this reply brief to address the arguments first raised in the brief of respondent in opposition to the petition.

I THE APPLICATION OF 35 U.S.C. § 282 IS THE MOST IMPORTANT ISSUE IN PATENT LITIGATION

In opposition to the petition, respondent begs the question of whether 35 U.S.C. § 282 was exsanguinated when the Federal Circuit found unstated structures in non-useful prior art, and disregarded the limitations that the patent examiner and the trial judge found in that art. Respondent offers blind credence to the Federal Circuit's reexamination of references, which it "takes at face value" because it "speaks for itself." (Respondent's brief, p. 3 and 5).

Respondent is satisfied that the Federal Circuit deemed the challenge to the presumption of validity to be solely a legal issue, and so avoided the clearly erroneous rule.

The Federal Circuit was established to provide a uniform application of established decisional law, and not to invest appellate panels with omniscient knowledge of the prior art. The statutory presumption of validity was misapplied, and only this Court can address and correct that.

The Federal Circuit non-uniformly reviews the application of statutory presumptions. In the present case, the presumption in 35 U.S.C. § 282 was treated as a legal issue. Compare *Helsig v. U.S.*, 719 F. 2d 1053 (Fed. Cir. 1983) which involved the "presumption of non-disability" for a honorably discharged veteran. This presumption of fitness could be overcome by *de novo* proofs (at 1157), and on review, the Federal Circuit applied the clearly erroneous rule to evaluate the showing made. Similarly, *American College of Physicians v. U.S.* 743 F. 2d 1570 (Fed. Cir. 1984) dealt with a presumption that revenues of a tax-exempt organization were non-taxable and the Circuit's opinion that these were taxable, as explained below, was reversed at 475 U.S. 834 (1986). The presumption of non-taxability that accompanies tax-exempt status could be overcome if the revenue was not "substantially related" to the activity for which the organization was granted their exemption. Even though the principal facts were stipulated at trial, the experts debated the issues and the relevant documents were admitted in evidence. The Federal Circuit ruled that the application of the statutory criteria for taxability presented a factual question to be reviewed under the

clearly erroneous rule, and on that basis the trial court was reversed.

On petition for certiorari, the Supreme Court agreed that the application of the tax-exempt presumption was to be reviewed under the clearly erroneous rule. In applying this standard of review properly, the Supreme Court was "bound to conclude" that the trial court's conclusion in favor of the Commissioner, which had "adequate support in the record", should be upheld, and it was bound to reverse the Federal Circuit that had "erroneously focused exclusively upon" its own view of the facts. 475 U.S. at 849.

The proper application of 35 U.S.C. § 282 is the most important aspect of patent litigation, and it is the basis upon which practitioners give their clients opinions on validity. The Federal Circuit has departed from the letter and spirit of that statute. Moreover it reviews patent cases involving presumptions different from non-patent matters, so as to achieve the intended result. For all these reasons, the petitioner respectfully urges the court to grant a Writ of Certiorari in this case.

II THE PETITION FOR CERTIORARI IN REGARD TO APPEAL NO. 89-1027 IS TIMELY

In regard to the third issue in the petitioner's brief, the respondent has suggested (without citing authority) that this portion of the petition is untimely. The issue in Appeal No. 89-1027 below was petitioner's motion for injunctive relief under 28 U.S.C. § 1491(a)(3). The denial of that injunction and the affirmance by the Federal Circuit were non-final interlocutory orders, which merged into the subsequent final judgment in Appeal Nos. 88-1528 and -1529.

"Where a petition for certiorari is timely filed by a party for review of a subsequent judgment, the Supreme Court has jurisdiction to consider all substantial federal questions determined at earlier stages of the litigation." *Dowdel v. CIR*, 738 F. 2d 354, 356 (10th Cir. 1984) (cit. om.). A petition for certiorari to review a final judgment asks the Supreme Court also "to notice and rectify any error that may have occurred in the interlocutory proceedings." *Hamilton Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916); *see*, Moore, *Federal Practice*, ¶ 110.18 (1975).

Based on these authorities, it is clear that the petition is timely in all respects. Moreover, the issue presented under 28 U.S.C. § 1491(a)(3) presents a substantial issue of federal statutory law.

CONCLUSION

For the foregoing reasons, it is respectfully requested that the petition for writ of certiorari to the Federal Circuit be issued to review the judgments below.

Respectfully submitted,

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